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S7ES #: 200913556



July 15, 2009

The Honorable Hillary Rodham Clinton  
Secretary of State  
U.S. Department of State  
2201 C Street, N.W.  
Washington, D.C. 20520

Dear Madam Secretary:

Our organizations are writing to you to emphasize the significance of the Canadian oil sands as a critically important source of energy, jobs, and economic growth for the United States. We support the Department of State's granting of permits for the construction, operation and maintenance of pipeline facilities crossing the U.S. border that are vital to connecting U.S. refineries with oil sands production in Western Canada.

In your remarks on the 100<sup>th</sup> Anniversary of the Boundary Waters Treaty, you stressed the need to strengthen the partnership between Canada and the United States and to find new ways to work together to solve common problems. The Canadian oil sands present an important model of the way that the governments, industries and other stakeholders of our two nations can work together. Expansion of the pipeline network crossing the borders between the two countries provides yet another opportunity for cooperation between the two nations along with great potential benefits from this secure and growing supply for the American economy and consumers.

Canadian oil reserves are vast and second only to Saudi Arabia, using current technology. Canada is our number one supplier of imported oil and natural gas. About half of the Canadian crude oil brought into this country is derived from oil sands.

According to a study released in May 2009 by the Cambridge Energy Research Associates, if oil sands development is maximized, the U.S. could potentially double the amount of oil currently imported from Canada by 2035. This will allow refineries in the Midwest and other regions of United States to replace waning supplies of crude produced from the traditional oil states in the South and to diversify their sources of crude oil beyond what can be transported from offshore sources or the Gulf of Mexico.

In their comments on the final Environmental Impact Statement, the Minnesota Center for Environmental Advocacy, et al, asserted that the Enbridge project should be subject to review of the cumulative impacts from production and refining activities at either end of the pipeline. This assertion is flawed in that the Enbridge line would serve the sole purpose of common carrier

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transportation of a commodity (Canadian crude oil) that would be produced in any event. Enbridge is neither a producer nor a refiner of crude, so the activities are completely disparate. However, even if the cumulative impacts were addressed by the Department, it would likely find that the no action alternative would have significantly greater impacts as Canadian crude will be produced and entered into worldwide markets. As the commenters aptly pointed out, there is a robust international market for crude oil. The Canadian crude would be subject to additional transportation and refining in non-U.S. refineries, including China, which are generally subject to less stringent environmental regulation than U.S. refiners, thus adding additional impacts.

Oil companies are investing huge sums to expand and upgrade refineries in the Midwest and elsewhere to make more gasoline and other refined products from heavier crudes, including Canadian oil derived from oil sands. Pipeline companies are investing to build new infrastructure to transport the Canadian oil into the United States. The expansion and upgrade projects will create more than 10,000 new construction jobs and an additional 500 permanent full-time refinery positions and bring additional tax revenues and other economic benefits to their localities.

Canadian and U.S. companies are making the necessary investments to meet stringent federal, state/province, and local environmental and other regulatory requirements to offset the impacts of increased oil sands production and processing. Since 1990, industry has reduced oil sands CO<sub>2</sub> intensity by 27 percent, according to the Canadian government.

We recognize that the Department's role in this matter is limited to making national interest determinations about new infrastructure at the international borders of the United States. We urge the Department to act affirmatively so as not to inhibit the free working of the marketplace in connection with pipeline construction decisions. The demand for crude oil remains high for the foreseeable future and the market, and particularly the refining market in the Midwest, has dictated a significant demand for the importation of Canadian oil from Alberta. We therefore urge the Department of State to grant the Presidential Permits needed to construct the pipelines across the U.S.-Canada border that are required to expand U.S. refinery access to western Canadian oil and help meet U.S. economic and energy needs. The undersigned organizations are fully prepared to work with the Department in support of developing this energy resource so vital to our nation.

Sincerely,



Jack N. Gerard  
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Washington, DC 20005-4070  
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Raymond Paul  
Association of Oil Pipe Lines  
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Dear Mr. Gerard and Mr. Paul:

Thank you for your letter of July 15.

As you note in your letter, the State Department is the lead federal agency with respect to the issuance of permits for the construction and operation of certain cross-border facilities at the U.S.-Canada border, including petroleum pipelines. The U.S.-Canada energy relationship is the largest and most secure in the world, and like you, we place great value in the unparalleled cooperation between our countries with respect to energy production and transportation. We are also pleased that our countries have initiated a Clean Energy Dialogue, announced by President Obama and Prime Minister Harper in February, to help ensure that the production and transmission of energy between our two countries is carried out in an efficient and environmentally friendly manner.

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Thank you for your offer of assistance on energy issues. We look forward to working with your organization and others to further U.S.-Canadian bilateral cooperation in this area.

Sincerely,

Hillary Rodham Clinton

Jack N. Gerard

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July 22, 2009

S letter to API re Oil Sands.doc

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